



COMMISSION ON INSURANCE

County of Los Angeles

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Patricia Torres
Steven Vicencia

MINUTES

Meeting of October 12, 2006
Kenneth Hahn Hall of Administration, Department Room 374-A
500 West Temple Street, Los Angeles, CA 90012

Commissioners Present: Barry R. Binder, Glenn S. Brown, J.D., William K. Callagy, Michael G. Cheung, Daniel Falcon, Helene S. Lohr, LUTCF, Scott J. Svonkin,

Commissioners Absent: Curren D. Price, Jr. Patricia Torres, Esq.,
Steve Vicencia, CPCU

CALL TO ORDER

Noting a quorum was present, Chairman Svonkin called the meeting to order at 10:22 a.m.

APPROVAL OF AUGUST 10, 2006 MEETING MINUTES

On motion of Vice Chairman Falcon, seconded by Commissioner Callagy, the minutes of August 10, 2006 were approved with corrections as directed by the Commission.

CHAIRMAN'S REPORT

Chairman Svonkin reported that the Audit Committee has submitted their recommendation to the Board of Supervisors on the Commission's Sunset Review date. The Sunset date has been extended to March 31, 2011 which is the longest extension received by the Commission. He also reported that there will be two upcoming special meetings; November 16, 2006 to honor Senator Escutia; November 20, 2006 to honor State Insurance Commissioner Garamendi.

STAFF REPORT

Gabriel Alexander, Commission Services Staff, reported on the following:

- Memo dated September 21, 2006, requesting support of legislation on medical and health care coverage issues, has been hand-delivered to all District Supervisors, and according to their respective Chief's of Staff has been forwarded for legislative review in November 2006.
- Judy Hammond, CAO's office, has forwarded website links that could assist with finding educational, informational events and/or seminars that the Commission may be interested in attending.
- Commission on Disabilities Access Awards Luncheon is on October 18, 2006; participation and/or donations would be appreciated.

CONTINUED DISCUSSION ON APPROVAL OF HEALTH AND MEDICAL APPLICATIONS; CANCELLATION OF EXISTING POLICIES AND RELATED ISSUES

Chairman Svonkin thanked all the guests present for attending today's meeting, and expressly thanked Blue Cross, Blue Shield and Wellpoint.

Anne Kuhns, Regional Vice President of State Affairs for Wellpoint, reported the following:

- She reported that rescission is a standard practice in insurance-law and exists in the California individual insurance market; policies are medically underwritten and medical history is always considered.
- Ms. Kuhns reported on the rescission process; policy holder's coverage is canceled due to omissions of information provided on the application.
- In response to a question from Chairman Svonkin, Ms. Kuhns responded that approximately ½ % of all new applications are cancelled based on the application information and/or the lack thereof.
- In response to a request by Chairman Svonkin, Ms. Kuhns will provide the Commission with a list of considered changes as they relate to their health care application form.

(Commissioners Binder and Cheung joined that meeting at 10:20 a.m.)

- In response to a question from Commissioner Callagy, Ms. Kuhns explained the differences and relationships between Blue Cross, Blue Shield and Wellpoint:
1.) Wellpoint is the parent company of Blue Cross of California & Blue Cross Life and Health, which are two separate entities; 2.) Blue Cross is owned by Wellpoint and is regulated by the Department of Managed Health Care; 3.) Neither Blue Cross nor Blue Cross Life are associated with Blue Shield; 4.) Blue

Shield is a non-profit organization base in California and provides insurance only in California; 5.) Blue Shield and Blue Cross are competitors, however, in other states they are one in the same; 6.) Blue Cross provides insurance in California as well as in 14 other states.

Ms. Kuhns went on to report that Blue Cross is the largest insurance provider in the United States and insures approximately 34 million with over 8 million in California. Blue Cross carries no individual policies in New Jersey and their decision-making process is California based with Medical Director, Jeff Camille. She further reported that Blue Cross wants all questions on their application to be very clear while seeking regulatory approval. She commented that although standardizing applications would facilitate the application process it would not be conducive to their product-marketing and development for the applicants appeal. Standardizing would make for a slow process with providing insurance coverage. She also commented that the informational usage process varies for company to company.

Chairman Svonkin commented that discussion with regulators for fair standard practices might simplify related issues.

- In response to Chairman Svonkin, Ms. Kuhns reported on proposed changes to the processing of applications as they relate to rescission: 1.) revise policy and procedure for underwriting; 2.) establish a standing committee review process with a medical director; 3.) dedicate an Ombudsman for all rescission issues. Ms. Kuhns, also reported that the Department of Insurance has liberty to request and review any and all rescissions; that rescissions will be documented and will provide explanations to the applicants; additionally, there will be training for underwriting staff along with internal audits on all processing.
- In response to questions by Commissioner Binder and Commissioner Lohr, Ms. Kuhns explained that training and audits will maintain consistent quality and be instrumental with clear questions and answers.
- In response to questions by Vice Chair Falcon, Ms. Kuhns explained that Blue Cross has a wide range of customers and that she could provide information as to how the policy-products are tested for clarity on questions asked. She explained that the application forms are provided in other languages and that this issue is pending at the interpretation services with the Department of Insurance as well as at the Department of Managed Health. She also explained that the implementation of policy and procedure and changes to the application form are pending regulators approval. All information on codes that prompt investigation are available to regulators at anytime.

(Vice Chairman Falcon was excused from the meeting at 11:27 a.m.)

- In response to a question by Commissioner Brown, Ms. Kuhns explained that although due diligence is a fair business practice, she assured that balance for all parties is being sought by their informational process.

Commissioner Brown suggested that the investigation process be reviewed and that consideration should be made towards providing coverage with an adjusted premium as opposed to unilateral cancellations. He further commented on the legal binding contractual aspects on behalf of the applicant, inasmuch to believe that coverage is in effect after signing application and tendering payment for services as opposed to an undisclosed waiting period for underwriting. Commissioner Brown quoted Ronald Reagan, "It's not that we don't trust you...we just want to verify".

- In response to a question by Commissioner Callagy, Ms. Kuhns stated that she would take the issue of a standard and/or uniform application form for discussion.

Ms. Kuhns agreed to provide an update on the proposed changes to their application form, time-frame for rescission determination and determination of premiums based on geographic variations.

Mr. Steve Scott, General Manager stated that he oversees the business between Blue Cross and the County of Los Angeles. He thanked the Commission for his invitation and extended his assistance to the Commission in any way possible.

Brian Bugsch, Policy Initiatives, California Department of Insurance, addressed the Commission and explained that Commissioner Garamendi continues his quest in protecting consumers by supporting Health Care Reform. He also explained that Garamendi's office is actively working on Medical Loss Ratio Regulations, Timely Access Regulations, and Interpreter Regulations.

Mr. Bugsch reported on the following:

- The 1st Public Hearing regarding the Language and Interpreter issues has already taken place with regulations forthcoming and he will provide the Commission with this information.
- He avidly supports the reduction of time allowed for cancellation to change from 2 years, to a 1 year practice. Presently, there is on-going discussions with regulators.
- Post Claims underwriting in correlation with rescissions are being scrutinized as they relate to legal binding agreements. The definition for rescission should be clarified by Legislation.

Mr. Bugsch agreed to gather more information, and return for a follow-up presentation.

Emily Gold, Los Angeles District Office, Senator Kuehl, thanked the Commission on behalf of Senator Kuehl for joining approximately 500 statewide organizations with their official endorsement of SB 840, California Health Insurance Reliability Act. Ms. Gold went on to report that for the first time in California State history, SB 840 passed the State Legislature, both the Assembly and the Senate. Although the Governor vetoed this bill, Senator Kuehl is vigorously working on a similar bill for her next session and

plans to pursue building on California's plan to provide Health Insurance Coverage. Additionally, Ms. Gold gave highlights of the new bill which include: a.) comprehensive benefits; b.) means-based premiums; c.) an employer payroll tax in addition to Government funding.

Ms. Gold reported on the following:

- In response to questions by Chairman Svonkin and Commissioner Lohr, Ms. Gold explained that the proposed bill would be considered as a Health Insurance Plan. The plan would eliminate cancellations based on pre-existing medical conditions. Premiums would pool together as an insurance fund similar to a trust fund. This plan could be looked at as Medi-Care on a State level. Further, the plan would extend coverage and risks over 36 million California residents. In summary, Ms. Gold stated that the ultimate plan is to provide a publicly funded universal health care trust fund and there is no supporting legislation at this time.
- In response to questions by Commissioner Binder and Chairman Svonkin, Ms. Gold explained that a premium would be comprised of any earned income which would also include a residency requirement. Although SB 840 laid-out the governance structure for California, the premium structure would be created by a blue-ribbon panel of a premium-commission comprised of health policy experts and economists.
- In response to Chairman Svonkin, Ms. Gold went on to explain on the premium structure laid-out by SB 921: 20-30% of all insurance costs are allocated to administration; medi-care applies 3% towards administrative functions; savings are prominent in administration and presently California has a total of 7 million uninsured (1 million being children). She further reported that presently insurance coverage has limited coverage with rising premiums, thus, resulting in 50% of all bankruptcies filed in California.

Ms. Gold thanked the Commission for her invitation and looks forward to working together to implement changes in the insurance industry, to carry forward the universal plan contained in SB 840, and to provide access to Health Insurance for all California residents.

Ms. Gold agreed to provide further information to the Commission at a follow-up meeting.

Chairman Svonkin thanked all the guests for their attendance and informative presentations. He thanked staff for their hard work. The Commission looks forward to a follow-up meeting for further information, updates and discussion.

WORKERS' COMPENSATION UPDATE

Commissioner Callagy reported that during Fiscal Year 2005/2006 the County of Los Angeles Worker's Compensation incurred a total of \$263.1 million expense, which is a \$9.6 million decrease from Fiscal Year 2004/2005. Commissioner Callagy requested the Commission to agendize follow-up legislation for discussion.

PUBLIC COMMENT

Mrs. Mary Callagy addressed the Commission.

MATTERS NOT POSTED ON THE AGENDA

Commissioner Callagy requested the Commission to agendize follow-up legislation for discussion as it related to the State Worker's Compensation Fund.

The Commission agreed to invite all guests present including the non-attendees to continue discussion on forthcoming updates and information.

ADJOURNMENT

Without objection, the meeting was adjourned at 11:48 a.m.